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Revised Annual Income Tax Return Forms and Form Completion Guidance for Individual and Corporate Taxpayers

The Directorate General of Taxation (“DGT”) has announced the revision of the Annual Income Tax Return Forms for Individual and Corporate Taxpayers through its regulation No. PER-19/PJ/2014 (“PER-19”) dated 3 July 2014. This was the second revision of the previous regulation, number PER-34/PJ/2010.

The key changes are as follows:

A. Annual Individual Income Tax Return Forms (“Forms 1770 and 1770 S”)

1. A new code is now provided for the following:
 - taxation status of a married couple who choose to file jointly;
 - taxation status of a married couple who choose to file separately because the wife chooses to fulfill her tax compliance by herself ;
 - each type of assets and liabilities being declared by the taxpayer.

2. Individual ID number of each family member must now be provided in the list of family members.
3. The special attachment for calculating the shares of annual income tax due of a married couple who choose to file separately because they have made a written agreement to separate their assets and income or because the wife chooses to fulfill her tax compliance by herself, is now revised and made clearer.

Form 1770 now accommodates income subject to final tax at 1% pursuant to Government Regulation No. 46/2013. The taxpayer is also required to attach a list of gross income and final tax which has been paid during the year.

B. Annual Corporate Income Tax Return Form (“Form 1771”)

A corporate taxpayer whose income is subject to final tax at 1% of gross income as stipulated in Government Regulation No. 46/2013 must attach a list of gross income and final tax which has been paid and reported every month to the Tax Office concerned.

According to PER-19, the revised annual income tax return forms above shall be used effective for the filing for tax year 2014. The new format of the tax return forms is yet to be provided by the DGT.

Changes in the Procedure for Obtaining Exemption from Withholding Tax or Collection of Certain Income Tax

The DGT has updated the procedure for obtaining exemption from withholding tax or collection of certain income tax through the issuance of DGT regulation No. PER-21/PJ/2014 (“PER-21”) dated 25 July 2014. PER-21 serves as the amendment of PER-1/PJ/2011 (“PER-1”).

The key changes are as follows:

1. The Taxpayer eligible to submit a request for such exemption must be a Taxpayer who in the current tax year can prove that he will not have income tax payable because the income tax which the taxpayer has paid is greater than the

income tax that will be payable. Previously, under PER-1, the combined amount of the income tax that has been paid and that will be paid should be higher than the income tax that will be payable.

2. PER-21 adds a new provision for eligible taxpayers who submit requests for exemption on the basis that they can prove that they will not have income tax payable because they can use tax losses carried forward. Under PER-1, the tax losses carried forward should be those as indicated in the taxpayer’s Annual Tax Return or in a Tax Assessment Letter. PER-21 now includes other decision letters, namely Tax Objection Decision Letter, Tax Appeal Decision Letter, and Supreme Court Verdict.

PER-21 takes effect as of 25 July 2014. However, for a taxpayer whose properly completed application for exemption was received by the DGT before this date, the request shall be settled in accordance with the procedures stipulated in PER-1.

Government Continues to Bear Income Tax for Interest on Certain Bonds

The Ministry of Finance (“Mof”) has extended its treatment of bearing income tax on interest received from bonds issued by the Government of Indonesia (“GoI”) in the international market, through the issuance of MoF regulation No. 149/PMK.011/2014 (“PMK-149”). The previous MoF regulation, No. 112/PMK.011/2013, applied only up to 31 December 2013.

PMK-149 stipulates that the GoI will bear the following for the fiscal year 2014:

1. Income tax for interest received from bonds issued by the Government of Indonesia in the international market; and
2. Income tax on fees received by a third party from its services to the GOI in the issuance and/or repurchase / exchange of the GOI’s bonds in the international market.

PMK-149 applies retroactively from 1 January 2014 and will be effective until 31 December 2014.

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following individuals:

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